

Summary of the Proposed
Civil Service Pension Reform Act of 1985
(Stevens' Bill)

[A Bill to amend title 5, U.S.Code, to establish a new retirement and disability plan for federal employees, postal employees, and members of Congress, and for other purposes.]

Purposes

- ° To provide federal employees with a retirement plan comparable to good private sector plans; promote financial stability and flexibility for the future of each federal employee; ensure a fully funded and financially sound federal government retirement plan; enhance portability of retirement assets between federal jobs and jobs outside the federal government; increase options of each federal employee with respect to retirement plans; encourage federal employees to increase personal savings; include federal employees in the investment decision-making process with respect to the assets of the retirement system; and extend financial protection from disability to additional federal employees and increase such protection for eligible federal employees.

BASIC PLAN

Entitlement

- ° Age 55 w/30 years service - immediate annuity
- ° Age 62 w/10 years service - immediate annuity
- ° Age 55 w/25 years service
as law enforcement officers,
firefighters or
air traffic controllers - immediate annuity
- ° Any age w/25 years service or not less than age 50 w/20
years service if separated involuntary under certain
circumstances - immediate annuity

Deferred Retirement

- ° Under age 62 and separates after 10 years
civilian service-entitled annuity when reaches age 62

Computation of Annuity

- ° Except for reduction for early retirement (see Reduction for Early Retirement below), the annuity shall be equal to the product of 0.85 of average pay (hi-5) multiplied by the number of total years of service.
- ° An annuity supplement equal to the amount of social security benefits paid at age 62 will be paid to "special" annuitants under age 62 until they reach age 62 and qualify for Social Security.

Reduction for Early Retirement

- ° Annuity reduced by one-sixth of one percent for each full month under age 62 on date of separation except law enforcement officers, fire fighters or air traffic controllers (these may retire at age 55 w/25 years with no reduction in annuity) This formula is equivalent to a reduction of 2% each year.

Reduction for Survivor Annuities

- ° Annuity reduction to provide survivor annuity to spouse of a married participant unless both jointly waive spouse's right to survivor annuity.
- ° Annuity reduction when participant has a former spouse who is entitled to survivor annuity.

Funding

- ° Employing Agency shall contribute an amount equal to the normal cost of an annuity for each participant.

Survivor Benefits

- ° Provides payment of death benefits from basic plan to retiree's survivor unless the surviving spouse waived a survivor annuity.
- ° Survivor age 60 or over no children under age 16 - 50% of the unreduced annuity (except for early retirement deduction) plus any social security payable.

- ° Survivor under age 60 with no children of the retiree under age 16 gets full annuity that was payable to the retiree (after deductions for early retirement and survivor benefits) until age 60, when they get 50% of the covered annuity after early retirement reductions plus any social security payable.
- ° Survivor under age 60 with children of the retiree under age 16 gets 50% of the unreduced annuity plus social security payable.
- ° Provide for survivor benefits from the Thrift Savings Plan.

Cost-of-living Adjustments

- ° Annual adjustment to basic pension of the consumer price index minus 2 percentage points. Adjustments made in January and based on the change from September to September.

Transition Provisions

- ° CSRS participants may elect to transfer to CSPA, or, begin participation in CSPA and retain accrued credit for entitlements to benefits under CSRS for service subject to that system.

Disability Benefits

- ° Disability benefits available to participants who have at least 18 months service.
- ° Entitlements to receive benefits while under age 62.
- ° At age 62, annuity payable under the basic plan provision based on at least 10 years actual service plus projected service through age 62.
- ° If eligible for Social Security, or ineligible for social security only as a result of insufficient quarters of coverage, 60 percent of the high-five salary minus 100 percent of the social security benefit.
- ° If ineligible for social security, 60 percent of the high-five salary for the first year after which, 20 percent of the high-five or the accrued benefit based on projected service through age 62, whichever is lower.

Conforming Provisions for Other Retirement Systems

- ° Old CIARDS unaffected, would require legislation for established supplemental program for future CIARDS participants hired after 1 January 1984. Excludes employees from participation in both the CSPS and CIARDS.

THRIFT SAVINGS PLAN

Contributions

- ° In any fiscal year, participant may contribute any amount not exceeding 10 percent of annual rate of basic pay.
- ° Employing agency shall contribute an amount equal to twice such portion of the amount of the participant contribution as does not exceed 4 percent of gross pay.
- ° Amounts of participants' thrift savings fund contributions and employing agency's matching contributions shall not be included in gross income of participant for purposes of the Internal Revenue Code of 1954.

Vesting

- ° Participants immediately vest in their contributions and their earnings. Beginning at two years of service, participants vest in 25 percent of their contributions. This increases 25 percent each additional year up to five years and beyond, when the entire share contributed by the employer, plus interest, is vested. Participants who die while employed immediately vest in 100 percent of employer's contribution and earnings on it.

Entitlements

- ° Permits participants who separate from government employment, either entitled or not entitled to an immediate annuity, to elect method of receiving money credited to their accounts.

Annuities

- ° A thrift investment board will prescribe methods of payment the amounts of which will be determined in accordance with generally accepted actuarial principles.

Civil Service Thrift Investment Board

- ° Established as an independent establishment in the executive branch of the Federal Government;
- ° Composed of 6 members appointed by the President, by and with the advise and consent of the Senate;
- ° An Executive Director appointed by the majority of the members;
- ° Board shall establish policy, prescribe regulations and administer the Thrift Savings Fund.